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genious, yet not without its difficulties. Some objections, it is true, are met by calling in aid the existing machinery of the sick associations. These associations can be made agents for collecting the contributions; they affix the required stamps to the cards, and collect from each employer the total sums due by him. Negligence and mistake by the employer are thereby in some degree guarded against. But the workman is the custodian of the card for the current year; he must carry it with him as his employment shifts; and, obviously, there is danger of loss, negligence, defacement.

All the machinery of the new act, even more than that of its predecessors, presupposes a thoroughly centralized and highly capable body of public officers, whose activity must ramify to the remotest corners of the country. To attempt to work such a system in a country like England or the United States would be preposterous; and it is a question whether even German bureaucracy may not break down under the task now imposed on it.

THE COST OF PRODUCTION OF CAPITAL.*

MR. GIDDINGS'S "further analysis" of the economical notions expounded in Professor Böhm-Bawerk's book on Capital could hardly, I think, be accepted by the professor (though, no doubt, he will speak for himself). It seems at least inconsistent with the several principles of the school to which the professor belongs. To writers who agree that interest is a question not of production, but of distribution, it could never appear right to describe interest as "a unique stream of wealth drawn by means of capital from the bounty of nature." To them it is a problem not of a surplus product, but of a surplus value.

Mr. Giddings is of course fully aware of the distinction; and, near the end of his note, he goes so far as to say that capital by making labor productive tends to bring its own interest to a minimum (p. 507). Yet his main contention (if I mistake not) is that interest does not fall to zero because the cost of producing capital is always greater than the cost of producing articles for immediate consumption (p. 505). In

* See *Quarterly Journal of Economics*, July, 1889, p. 503.

other words, to him the old theory that value depends upon cost, is true, at least in this instance. But to the Austrian economists it is not more true in this instance than in any other. Cost influences value only as affecting the quantity produced and on the assumption that what is produced is desired. The author of the *Positive Theory of Capital* could not allow (if I have read him aright) that what gives rise to interest is the "double, double toil and trouble" of converting things future into things present by overtime and abnormal labor. His view is that the toilers themselves attach more value to a given part of their product when they get it now than to the same part when they have to wait for its completion in the whole. The ripe present, however, is of more value than the forestalled future; and the product, when completed in fulness of time, has a higher value (when that time is reached) than the total of its forestalled parts. The value of an article is more than the total of the wages that have been paid in the making of it; but this point of view is not consistent with Mr. Giddings's, and the latter could not therefore be accepted as an amplification of the former.

It may be doubted, too, whether Mr. Giddings's economical analysis really goes deeper than Professor Böhm-Bawerk's psychological. Future goods, says the former, are worth less than present "because of the abnormal cost of making them present." But why should men desire to go through such abnormal cost if they did not, at starting, view the present as more desirable than the future? Why should they not be content with normal labor and later possession? The fact that men choose to incur the abnormal cost would show that they have (as we say) "counted the cost," and deliberately preferred to incur it, because they valued the present over the future. They do not value the present over the future, because it costs them much to turn the future into the present; for they need not go through that painful process unless they like. In the same way, I think we should find that, in saving, the psychological analysis lies behind the economical, not *vice versa*. Instead of saying that saving itself (p. 507) is the difference between the future value and the present worth of future goods, we should say that, without such a difference

in value between them, we should have no motive for saving. Surely, it is not the saving that makes us value the thing saved. If interest is due to abstinence, value is due to cost. The two hang together, and have a common proof or disproof.

Mr. Giddings's theory, then, of the cost of capital may be true or false; but it cannot be supplement or complement of a radically different doctrine about the mutual relations of cost and value.

J. BONAR.

EAST LONDON.*

MUCH has been written of late about the squalor and vice of East London and of that seemingly vast horde, the army of the unemployed. Most realistic pictures of starving mothers and naked children have filled the newspapers. Now comes the practical question, Are these individual cases, presented with such dramatic effect, typical of East London life? We are satisfied as to the intensity of the evil; but what is its extent? These are the questions which the book before us attempts to answer. It is not a sensational account of misery and crime, but a sober and careful investigation of the actual conditions of life and labor in East London.

The area dealt with — East London and Hackney — contains about 900,000 inhabitants, whom Mr. Booth has divided into eight classes according to their means, and into sections according to employments. The second division, in connection with the first, shows the numbers contributed by each trade to the different grades of poverty. The statistics relied on for making these divisions are those gathered by the School Board visitors. Every house in the district is visited, and information obtained in regard to every family having children of school age. In this way, about one-half of the population is tested, and then the assumption is made that the whole will be divided among the different classes in the same proportions. The assumption is evidently unwarranted in the case of the lowest class of all,—those whose

**Labor and Life of the People*. Vol. I. East London. Edited by Charles Booth. Contributors: Charles Booth, Beatrice Potter, David F. Schloss, Ernest Aves, Stephen N. Fox, Jesse Argyle, Clara E. Collet, H. Llewellyn Smith. London: Williams & Norgate. 1889.